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HOW TO RESTORE AMERICAN SHIPPING.

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THE inquiry suggested by the caption of this article has reference solely to American shipping in the foreign trade. This is the only branch of our merchant marine which has declined.

Our shipping in the domestic trade is prosperous and steadily increasing in effective tonnage, notwithstanding the unexampled development of railroad competition in the last forty years. To obtain an adequate idea of the growth of this branch of our merchant marine, it is necessary to take into account not only the increase of its tonnage, but also the increased efficiency of this tonnage arising from the substitution of steamers for sailing vessels. Computing on the rule that one ton of steam vessels is equal in carrying power to only three tons of sailing vessels, the tonnage of our shipping in the domestic trade has increased from a sail equivalent of 1,639,314 tons in 1840, and 4,300,392 tons in 1869, to 6,177,475 tons on the 30th of June, 1888. This gives the United States a home fleet which has increased more rapidly than the similar fleet of any other nation, and with a tonnage more than three times that of the coastwise shipping of the United Kingdom, and five times that of any other nation.

In striking contrast with the growth and prosperity of our shipping in the domestic trade stands out the humiliating decline since 1855 of the tonnage of the United States in the foreign trade. From 1807 to 1840 our shipping in the foreign trade made almost no permanent growth, notwithstanding the increase of population. The most prosperous period of our merchant marine in this trade was from 1840 to 1855, during which time the discovery of gold in California and the Crimean War caused an exceptional demand for American sailing vessels. In 1840 our shipping in the foreign trade registered only 899,765 tons. In

1855 it had increased to 2,535,136 tons, of which all but 115,045 tons were sailing vessels.

The decadence of our shipping in the foreign trade began immediately after 1855, although for several years thereafter this decline was shown by a slow, but steady, reduction of the percentage of our exports and imports carried by American vessels, rather than by the aggregate tonnage employed in this trade. In 1855, 75½ per cent. in value of our exports and imports was carried by American vessels. This percentage decreased from year to year, until in 1861 it was only 66½ per cent.—a decline of nine per cent. in six years, or one and a half per cent. per annum. During the four years of the Civil War we lost one-third of our tonnage in this trade through capture by the Confederate cruisers and sale to foreigners to escape capture. In 1865 only 28 per cent. of our exports and imports was carried by American vessels. Since the close of the War the decline of our foreign carrying trade has continued at an annual rate slightly less than that experienced between 1855 and 1861, until in the last fiscal year a little less than 14 per cent. in value of our foreign commerce was borne by American vessels.

The falling-off in ship-building for the foreign trade in the six years before the War was still more marked than the decline of our foreign carrying trade. In 1854, 507 square-rigged vessels, presumably for the foreign trade, were built in the United States, but in 1857 the number declined to 309, and in 1859 to only 117. Since the close of the Civil War the decline has gone on, until in the fiscal year ending June 30, 1888, there was not one ship, and but few other vessels, built in this country for the foreign trade.

There is a disposition among a class of public men who look at everything through partisan glasses, to divert attention from the real causes of this decline of our shipping in the foreign trade, and to discredit adequate remedies, by ascribing the decline to the change in our tariff policy in 1861, which (they allege) has crippled our foreign commerce and increased the cost of materials for ship-building. The conclusive answer to this oft-repeated, but entirely unfounded, assumption is found in these facts :

First. Our foreign commerce, which furnishes the cargoes for ocean transportation between the United States and foreign countries, has increased more rapidly since the close of the War, under

the alleged "crippling" tariff policy, than ever before in the history of the country, and was 50 per cent. larger per inhabitant in the decade ending with 1880 than in the decade ending with 1861. Cargoes have multiplied as never before; but these cargoes have been seized by foreign vessels.

Second. The present tariff is as favorable, on the whole, in its duties on imported materials for the construction of American vessels for the foreign trade as was the tariff of 1846. The tariff of 1846 levied duties on all materials for the construction, repair, and supplies of such vessels. Under the act of 1872, as embodied and extended by the Tariff Act of 1883, all imported lumber, timber, hemp, manilla, iron and steel rods, bars, spikes, nails, bolts, copper and composition metal, and wire rope for the construction and equipment of American vessels for the foreign trade, and all materials for their repair, are admitted with a rebate of the entire duty. And under the Shipping Act of 1884 all supplies for such vessels come in free of duty. The difference in cost of materials for an iron steamship in this country and in England was as great before the War as now, so that if we had then been called upon to build and sail such vessels, we should have had the same difficulty as at present.

Third. The decline of the American foreign-carrying trade began immediately after 1855, when the revenue tariff of 1846 had been in operation for eight years, and continued under the same tariff policy between 1855 and 1861 at as rapid a rate as in any similar period since the War under a protective tariff; while under both tariff policies our shipping in the domestic trade prospered.

These facts demonstrate that changes of tariff policy have had nothing to do with the decadence of American shipping in the foreign trade.

Coupled with the fact that, while our unprotected shipping in the foreign trade has declined, our shipping in the domestic trade, absolutely protected against foreign competition by our navigation laws, which restrict this business to American vessels, has prospered, they further demonstrate that the decline of the former is due to unequal foreign competition, and the growth and prosperity of the latter to protection against such competition.

It was not till 1850 that British vessels were admitted to participate in the business of transporting our exports and imports on the same terms as American vessels, and maritime reciprocity be-

came the accepted policy of the United States. At that time natural conditions gave the United States such an advantage in the competition for the ocean transportation of the world's commerce that our statesmen of that period failed to discern a revolution, then already inaugurated, which in a few years would deprive us of this natural protection and place American vessels at a great disadvantage in competition with British steamships.

Up to about 1855 the world's ocean carrying trade was done by wooden sailing vessels. Inasmuch as we had cheaper and more abundant timber than any foreign nation, and the labor required to construct a wooden vessel from the timber in the forest was comparatively small, we could build our vessels cheaper than our maritime rivals; and in consequence of the small crews required for sailing vessels, this advantage offset the slightly-increased cost of sailing them after they were built. But about this period iron steamships began to seize upon the ocean carrying trade, and Great Britain, as the possessor of rich mines of coal and iron near the sea-shore, with much cheaper labor to transform the ore into the completed steamship, and especially to officer and man her after construction, obtained a far greater advantage than we ever had.

The natural advantages gained by Great Britain through this revolution from wood to iron and steel, and from sail to steam, were greatly strengthened by direct and indirect Government aid extended to her shipping. Among the methods adopted by England with this object in view were the tender of liberal contracts for the construction of war-ships and transports, to encourage the establishment and extension of private ship-yards; direct subsidies to ship-builders and ship-owners who would construct iron steamships after plans prepared by the Admiralty; and enormous indirect subsidies for carrying the mails, to encourage the establishment and maintenance of British steamship lines.

This policy of Great Britain was all the more effective for the reason that at the time it was most liberally employed to build up great ship-building plants and obtain possession of the ocean routes of commerce, our shipping in the foreign trade was being driven from the ocean by Confederate cruisers built in British ship-yards, and the hands of our own people and Government were tied first by the Civil War and subsequently by the seriousness of the problem of Reconstruction and the engrossment of our citizens in the development of the new West.

In this situation, it is evident that it is far more difficult now to devise a policy which will enable our shipping in the foreign trade to compete successfully with British and other foreign vessels, especially steamships, in the transportation of our exports and imports, than it would have been thirty-four years ago, when the revolution from wood to iron and from sails to steam first began to place our vessels at a disadvantage.

If we could return to the policy of imposing discriminating dues and duties on foreign vessels and their cargoes, which was inaugurated by the founders of our Government and finally discarded in 1850, this protection against foreign competition would be ample to restore our shipping in the foreign trade. But after the policy of maritime reciprocity has been adopted by nearly all commercial nations on our own invitation, it would probably lead to reprisals if we should now attempt to return to the old policy.

All that remains to us, if we desire to revive our shipping in the foreign trade, is to adopt some other policy that will neutralize the advantages which foreign vessels have over American vessels, and thus overcome the disastrous open foreign competition which is driving our vessels from the ocean. The character and extent of some of the advantages possessed by our foreign rivals will be appreciated when it is borne in mind that the laborers employed in mining the ore, smelting the iron, and transforming it into the completed steamship, and the officers and men required to run her after she is built, according to the official report of United States Consul Russell, receive 38 per cent. higher wages, and demand 27 per cent. better fare, on an American vessel than on a British vessel.

The measure which has been most strenuously advocated to place our vessels in the foreign trade in a position where they can compete successfully with foreign vessels, is what is known as the "free ship" policy—*i. e.*, the repeal of the provision of the navigation laws of 1792 which restricts American registry to vessels built in the United States, so far as it applies to vessels in the foreign trade, and the enactment of a law allowing the free importation and registry of foreign-built vessels for this trade. It is this provision of the navigation laws of 1792, and not the tariff laws, to which a certain class of critics refer when they assert that "our shipping in the foreign trade has been protected to death." If cross-examined, these critics would explain that

they do not question the wisdom of this legislation when originally enacted in 1792 on the recommendation of Washington and with the approval of Madison, but that, when British vessels were admitted to participate in the business of transporting our exports and imports on equal terms with our own vessels in 1850, then this provision of our navigation laws should have been repealed, as the logical complement of maritime reciprocity.

It cannot be denied that, in theory, this position seems sound ; but the fact that not a single statesman of that day advocated "free ships," notwithstanding the prevalence of free-trade ideas, shows that there was a general concurrence in the view that there were National interests involved which demanded that American ships, should be built in American ship-yards.

"Free ships" before the War might have materially aided ship-owners in meeting the British competition of that day ; and very likely that policy might have been then adopted, if the statesmen of that day had not regarded it as dangerous to rely on British ship-yards for the construction of our vessels. But "free ships" now would do almost nothing to restore our shipping in the foreign trade. Some years ago there were ship-owners who favored "free ships" as a partial remedy for the disadvantages under which we labored ; but to-day it is doubtful if half a dozen could be found to risk their reputation as business men by pronouncing "free ships" at this time an adequate remedy in that direction.

At the present time, partly on account of the fact that higher wages are paid mechanics in this country than in England, and partly on account of the fact that Great Britain has numerous large iron and steel ship-yards well established through Government encouragement, the cost of constructing an iron steamship is about 15 per cent. more in this country than on the Clyde. This difference in cost, however, is steadily diminishing, and if our iron ship-yards could be encouraged by the Government as those of Great Britain have been, in ten years most of this difference would disappear.

But it is not this difference in the first cost of an American iron steamship which causes the serious difficulty in competing with British steamships. The chief difficulty lies in the increased expense of running an American steamship after construction. The slightly-increased cost of construction of an iron steamship

here is spread over the thirty to fifty years of her life, and is of comparatively little consequence. But the increased cost of running an American steamship, mainly in consequence of the higher wages paid the large number of officers and men, is a constant burden which renders competition with British steamships difficult, and which the "free ship" remedy does not reach.

The most serious objection, however, to the policy of having our vessels for the foreign trade built on the Clyde and the Tyne, instead of at home,—for that is what the "free ship" policy means,—relates to our commercial independence and National security. The Nation cannot afford to have the vessels of our merchant marine built in foreign ship-yards. They must be built at home at whatever cost. If we should adopt the policy of relying upon the Clyde and the Tyne to build our vessels, what would be our situation if Great Britain should become involved in a war with a great naval power? Our commercial independence requires that we should build our ships at home.

More important still, our National safety demands this. Jefferson well said that numerous ship-yards, to which we can resort for the construction of cruisers and transports in time of war, are as essential to National safety as forts.

On the assumption that the people and Congress regard an American merchant marine in the foreign trade, constructed in American ship-yards, as indispensable to commercial independence and National security, there ought to be no serious difficulty in reaching an agreement on the more essential features of a policy which will secure this great National object.

First. The Government, in constructing vessels for a new navy, should give contracts for building such vessels not only to iron and steel ship-yards already in existence, with the view of enlarging and improving these plants, but also to such responsible citizens as will undertake the establishment of new ship-yards at suitable points on the Atlantic, Gulf, and Pacific coasts and on the Great Lakes. Great Britain has built 80 per cent. of her war-vessels and transports in private ship-yards, in order to build up great iron and steel ship-building plants, to which she can resort in time of war. We should do the same.

Second. Our Government should imitate Great Britain in offering a liberal construction bounty to encourage the building of iron or steel steamships for the foreign trade, to be constructed

on plans approved by the Secretary of the Navy, such steamships to be subject to be taken by the Government at an appraised value whenever required for naval uses. Nearly all the great steamships in the leading British lines have received a Government bounty, and are subject to be taken by the Admiralty for war purposes. By this policy British merchants are aided in controlling the routes of foreign trade, and the British Government is provided with a large naval reserve at a lower cost than it could be secured otherwise.

Third. The act of 1872, admitting free of duty certain materials for the construction, equipment, and repairs of American vessels for the foreign trade, which was incorporated in the tariff of 1883, should be extended so as to cover whatever may be classed as materials for the construction of the hulls and machinery of vessels for this trade. This act rests on the same principle as the familiar drawback laws which have existed on our statute-book for ninety years, under which 90 per cent., and in some cases 99 per cent., of the duty paid on imported materials used in the manufacture of articles for export is reimbursed; and there ought to be no objection to its extension as suggested.

Fourth. American steamship lines should receive such liberal pay for transportation of the United States mails as will increase the frequency and celerity of the trips of existing lines and induce the establishment of new lines, especially to South and Central American countries and to the East. Thus far, with the exception of two or three spasmodic movements in this direction, Congress has declined to adopt the policy by which foreign countries, particularly Great Britain, have secured the establishment and maintenance of great steamship lines, which have enlarged their merchant marine, increased their naval power, controlled routes of commerce, and largely developed foreign trade. The recent action of Great Britain and Canada in granting a subsidy of \$300,000 per annum to secure the establishment of a British steamship line between Vancouver and China and Japan, with the object of driving off the American line between San Francisco and those countries, ought to arouse Congress to the importance of encouraging the establishment and maintenance of American steamship lines between the United States and the countries of South America and of the East.

But something more than aid to lines of steamships carrying

United States mails is necessary, if American vessels generally are to be placed in a position where they can compete successfully with foreign vessels in the over-ocean trade, and if the American merchant marine in this trade is to be started on a career of prosperity. Our shipping in the foreign trade has been so long subjected to the unequal competition of foreign rivals that the latter are now strongly intrenched on all the routes of commerce; and nothing but the encouragement and assistance of our Government for a sufficient period to enable American vessels to obtain a similar position is adequate to revive this branch of our merchant marine.

What this encouragement and assistance should be must be measured by the extent of the disadvantages under which an American vessel enters into free competition with a foreign vessel for the transportation of our exports and imports. This business cannot be protected against foreign competition by duties on imports, as are all other industries in this country which are not thus protected by natural conditions; but justice and the public interests demand that some other method of equalizing the conditions under which this business encounters foreign competition should be devised, so long as the general policy of protection prevails, as it has prevailed to a greater or less extent in all tariff legislation, whatever may have been the theories of its framers.

The most feasible method of equalizing the conditions under which American vessels compete with foreign rivals in the over-ocean carrying trade, is by a system of navigation bounties similar to those given by France and Italy. The French system offers a bounty of thirty cents per registered ton for every thousand miles sailed by a French vessel actually engaged in the foreign trade. The bill approved by the American Shipping League and introduced at the first session of the Forty-ninth Congress by General Negley, of Pennsylvania, and referred, is substantially the same as the French law. A bill based on the same idea, but perhaps providing for a smaller bounty, not to exceed a specified sum per ton per annum, and embodying additional provisions to guard against possible abuses, will undoubtedly be introduced at the next session of Congress, with the indorsement of all the Shipping Leagues and many Chambers of Commerce in all parts of the country.

In the judgment of gentlemen well acquainted with shipping interests, such a navigation bounty to American vessels in the

foreign trade, gradually reduced after five years, and terminating at the end of fifteen years, would give our foreign carrying trade such an impetus as to lead to the permanent revival of this branch of our merchant marine. The amount needed to make such a system effective has been estimated by experts at three millions the first year, rising to five millions the fifth year, and after the eighth year gradually diminishing. When it is remembered that the Government has received since the close of the War over twenty-eight millions of dollars from the tonnage-tax on vessels in the foreign trade, and that this tax now yields nearly half a million annually, it will be seen that this fund alone would pay a large part of the expense of carrying out this policy.

The objections to such a measure are based on the theory that the Government should not extend aid or bounty to any enterprise of a private nature.

While this theory is just and proper as applied to private enterprises that are not so related to the public welfare as to have a public as well as a private character, yet in private enterprises of a *quasi*-public character, especially such as are not likely to be successfully carried out by private resources alone, the policy of this and every other commercial country is based on the theory that the public ends to be subserved justify public encouragement and aid. The records of both State and National legislation are filled with examples which amply sustain this statement. The grants of land to aid in the construction of western and trans-continental railroads are illustrations of the applications of this policy on a gigantic scale.

Now, the restoration of the American merchant marine in the foreign trade is an object of at least equal National importance with any of those objects which have received National aid by general consent. Indeed, from the stand-point of commercial independence and National defence this interest should be considered as having practically the same National importance as the establishment and maintenance of a navy. For unless Congress speedily comes to the rescue of our imperilled shipping in the foreign trade, the day is not far distant when this branch of our merchant marine will practically disappear from the ocean, and our flag will rarely be seen in foreign seas or ports flying from the peak of an American vessel.

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